

**OPENING REMARKS FOR THE HONORABLE RUBEN HINOJOSA
HOUSE FINANCIAL SERVICES COMMITTEE
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
“FAIR CREDIT REPORTING ACT: HOW IT FUNCTIONS FOR CONSUMERS AND
THE ECONOMY”
JUNE 4, 2003**

Chairman Bachus and Ranking Member Sanders,

I want to thank you for holding this second in a series of hearings today to investigate how the Fair Credit Reporting Act functions for consumers and the economy. It is necessary that we continue to assess the importance of the national credit reporting system. I look forward to this hearing and the series of hearings this Subcommittee will hold to further clarify the issue.

As I noted at the first hearing, my office has been contacted by numerous individuals and groups about the Fair Credit Reporting Act over the past few months. I personally have heard from industry, consumer groups and several regulators on this issue.

One of the main decisions we, as a Committee, will need to make remains whether to extend all seven exceptions to the Fair Credit Reporting Act that preempt state law, just some of the exceptions, or none of them. They all expire January 1, 2004.

We will have to delve into Identity Theft issues as an integral part of our consideration of the Fair Credit Reporting Act. While these two issues are separate and distinct, they are also interwoven, creating a sort of paradox.

It is becoming obvious that the scope of these hearings will not be limited solely to the extension of the exceptions to the Fair Credit Reporting Act. Gramm-Leach-Bliley privacy issues might also be reopened for discussion, and, as noted, Identity Theft will be addressed.

Several groups recommended that we remain as focused as possible on the extension of the FCRA exceptions if we are to accomplish anything on this important issue this session. I fear that the cat is already out of the box.

Determining the importance of the national credit reporting system is going to be very difficult. However, we need to remember that industry representatives and Chairman Greenspan of the Federal Reserve Board provide strong arguments that privacy laws that restrict the availability of credit bureau data could impose significant economic costs. I want to reiterate the statement by Chairman Greenspan, and I quote:

“Limits on the flow of information among financial market participants, or increased costs resulting from restrictions that differ based on geography, may lead to an increase in the price or a reduction in the availability of credit, as well as a reduction in the optimal sharing of risk and reward. As a result, I would support making permanent the provision currently in the Fair Credit Reporting Act (FCRA) that provides for uniform federal rules governing various matters covered by the FCRA and would not support allowing different state laws in this area.”

This is a very strong endorsement for the continued preemption of state laws pertaining to the credit reporting system. Almost all of the financial services representatives that have contacted me agree with Chairman Greenspan’s conclusion.

However, they continue to be split on whether or not to solely preempt the state law or to open up Gramm-Leach-Bliley to address additional privacy issues. Some industry representatives have even presented a new opt-out proposal that this Committee should consider carefully and seriously.

Perhaps we are playing a game of tit-for-tat, but I would like the industry to present a united voice on this issue.

I would seek clarification from industry, all of today’s witnesses, future witnesses, Committee staff and the regulators on one issue. Section 507 of the Gramm-Leach-Bliley Act appears to authorize states to enact privacy laws that are more stringent than the Gramm-Leach Bliley standard. Section 506(c) of the Gramm-Leach-Bliley Act also seems to clarify that the Gramm-Leach-Bliley Act in no way modifies or supersedes the Fair Credit Reporting Act and that Act’s preemptions of state law. I am interested in knowing how all of today’s witnesses interpret the interaction of Gramm-Leach-Bliley and the Fair Credit Reporting Act with regard to state laws on affiliate-sharing.

At the same time, I have also heard from consumer groups and constituents who want the Fair Credit Reporting Act preemption of state law to expire. They are concerned about the need to protect social security numbers, fight identity theft, and ban unfair uses of credit scores by insurance companies.

I hope that this Subcommittee and the Full Committee will research these concerns carefully prior to making a final decision on what action to take with respect to the seven exceptions to the Fair Credit Reporting Act.

I hope that today’s witnesses will address some of these concerns, Mr. Chairman, and I thank you again for continuing the dialogue on this important issue.

I yield back the balance of my time.